

# VERMONT

## INCOME TAX WITHHOLDING TABLES AND INSTRUCTIONS

### FOR MORE INFORMATION

Write to: Vermont Department of Taxes  
Taxpayer Services Division  
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## INSTRUCTIONS VERMONT INCOME TAX WITHHOLDING

### 1. WHAT PAYMENTS ARE SUBJECT TO VERMONT INCOME TAX WITHHOLDING?

Wages, pensions, annuities or other payments generally are subject to Vermont income tax withholding if the payments are subject to federal tax withholding *and* the payments are made to:

- 1) a Vermont resident; or
- 2) a nonresident for services performed in Vermont.

For further information on wages or payments subject to federal withholding, see IRS Publications 15 (Circular E), 15-A, or 505. You may also call the IRS at (800) 829-1040.

### 2. HOW IS VERMONT INCOME TAX WITHHOLDING COMPUTED?

The Vermont withholding is computed in the same manner as federal withholding using the Vermont withholding tables or wage bracket charts. The filing status, number of withholding allowances, and any extra withholding each pay period is determined from the employee's *Vermont Employee's Withholding Allowance Certificate*, Form W-4VT.

Use of Vermont Form W-4VT: Employers should have all employees complete Form W-4VT. The employer may use the information from federal Form W-4 if no Vermont form is submitted. If a federal W-4 used for state withholding indicates an additional amount of federal withholding for each pay period on Line 6, Vermont withholding should be increased by 27% of the extra federal withholding. **Employees who have adjusted their federal withholding in anticipation of Child Tax Credit, Hope or Lifetime Learning Credit, or other credits that do not affect Vermont tax, and employees who are in civil unions, will not have the correct Vermont tax withheld unless they complete Form W-4VT.**

### 3. ADJUSTMENTS FOR SERVICES NOT PERFORMED IN VERMONT

**Nonresidents:** When an employee who is not a Vermont resident works in both Vermont and another state during a payroll period, compute the tax on the full payment and then multiply by the ratio of Vermont hours to total hours. For example, a nonresident employee worked in Vermont for 16 hours during a 40-hour pay period. If the state withholding on the wages for the entire 40 hours is \$48, the Vermont withholding for the 16 hours is  $\$48 \times 16/40 = \$19.20$ .

**Residents:** If a payment to a Vermont resident includes payment for services performed outside this state, the withholding is computed on the full payment then reduced by the income tax withheld for the state where services were performed.

### 4. CIVIL UNIONS

Vermont withholding for employees who are partners in civil unions is computed in the same manner as for married persons. The Vermont taxable wages may differ from the federal wages because of the treatment of fringe benefits affecting the employee's partner. For the purpose of treating a cafeteria plan payment as pre-tax or imputing income from an employer-paid benefit, the federal rules for the payment are applied for state purposes as though the employee's

partner was a spouse. **Note:** This applies only in the case of civil unions, not to all domestic partnership arrangements.

## 5. OTHER WITHHOLDING CALCULATIONS

**Supplemental withholding:** In cases where federal withholding is computed as 25% of supplemental payments, the Vermont withholding is 7.20% of the supplemental payments. In cases where the federal withholding is computed at 35% the Vermont withholding is 9.5%.

**Annuities & Deferred Compensation Payments:** You must withhold Vermont tax on payments to Vermont residents when federal withholding is required. Vermont withholding is also required where optional federal withholding is elected, unless the recipient specifically requests no state withholding. For periodic payments, the tax is computed using the wage charts or tables. For non-periodic payments the Vermont withholding is 27% of the amount of federal tax withholding. For example, payments subject to 10% federal withholding are subject to 2.7% Vermont withholding. Pension, annuity, and deferred compensation payments made to nonresidents are generally not subject to Vermont withholding.

## 6. REPORTING AND REMITTING VERMONT INCOME TAX WITHHELD

If you pay wages or make payments subject to Vermont income tax withholding, you must register with the Vermont Department of Taxes for an employer's business account number. Complete Form S-1, *Application for Business Tax Account*. The reporting forms and instructions will be mailed to you once you have an employer's business account number.

## 7. FILING W-2 OR 1099 FORMS

All employer business tax accounts file Form WH-434, Reconciliation of Withholding Tax Account. This form is the transmittal for the W-2s and 1099s and reconciles the amount of Vermont income tax withholding reported during the year to the amount of withholding on the W-2s or 1099s. **Note:** The 1099 forms are required 1) when the payment was subject to Vermont withholding, or 2) when the payment was made to a nonresident of Vermont for services performed in Vermont.

## 8. TELEPHONE NUMBERS OF OTHER GOVERNMENT AGENCIES

(800) 829-1040 – IRS (Federal income tax and Social Security/Medicare tax)

(802) 828-4000 – Vermont Department of Labor (unemployment insurance, minimum wage, overtime, worker comp.)

## 9. OBTAINING VERMONT FORMS AND BULLETINS

Forms W-4VT and S-1, Technical Bulletin 23 and Vermont withholding tables are available on the Department's web site, [www.state.vt.us/tax](http://www.state.vt.us/tax). These documents may also be obtained by:

E-mail: [taxforms@state.vt.us](mailto:taxforms@state.vt.us)

Phone: (802) 828-2515

Fax: (802) 828-2701

Mail: Vermont Department of Taxes

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